

MERIDIAN SCHOOL DISTRICT No. 505
Whatcom County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Findings

1. Internal Controls Over Receipts Should Be Strengthened

During our audit of Meridian School District's records, we noted the following internal control weaknesses over Meridian Middle School receipts:

- a. The school secretary's responsibilities include receipting cash, preparing and delivering bank deposits, and reconciling the bank account.
- b. The mode of payment is not consistently noted on receipts.

AICPA Professional Standards, AU Section 8006.05 states:

An accounting system supplemented by effective internal controls can provide management with reasonable assurance that assets are safeguarded from unauthorized use or disposition and that financial records are reliable to permit the preparation of financial information.

In addition, the *Accounting Manual for Public School Districts in the State of Washington*, Chapter III, Section G-1, page 3, "Separation of Duties" states:

Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. To reduce the risk of error, waste, or wrongful acts or to reduce the risk of them going undetected, it is desirable where there are sufficient numbers of employees that no one individual controls all key aspects of a transaction or event.

These weaknesses occurred because of staff turnover and limitations in the district's ability to separate duties due to staff size. In addition, staff did not realize the importance of noting check and cash composition.

Poor internal controls result in decreased accountability over cash receipts and an increased risk that error and irregularities may occur and not be detected in a timely manner, if at all. Furthermore, the State Auditor's Office finds inadequate records cause increased audit time and costs to determine the accountability of public funds.

We recommend the district improve its receipting system by implementing the following internal controls at the middle school:

- a. Separate duties of cash receipting, depositing, and reconciling the bank account.
- b. Note cash and check composition on all receipts and agree to composition of bank deposit.